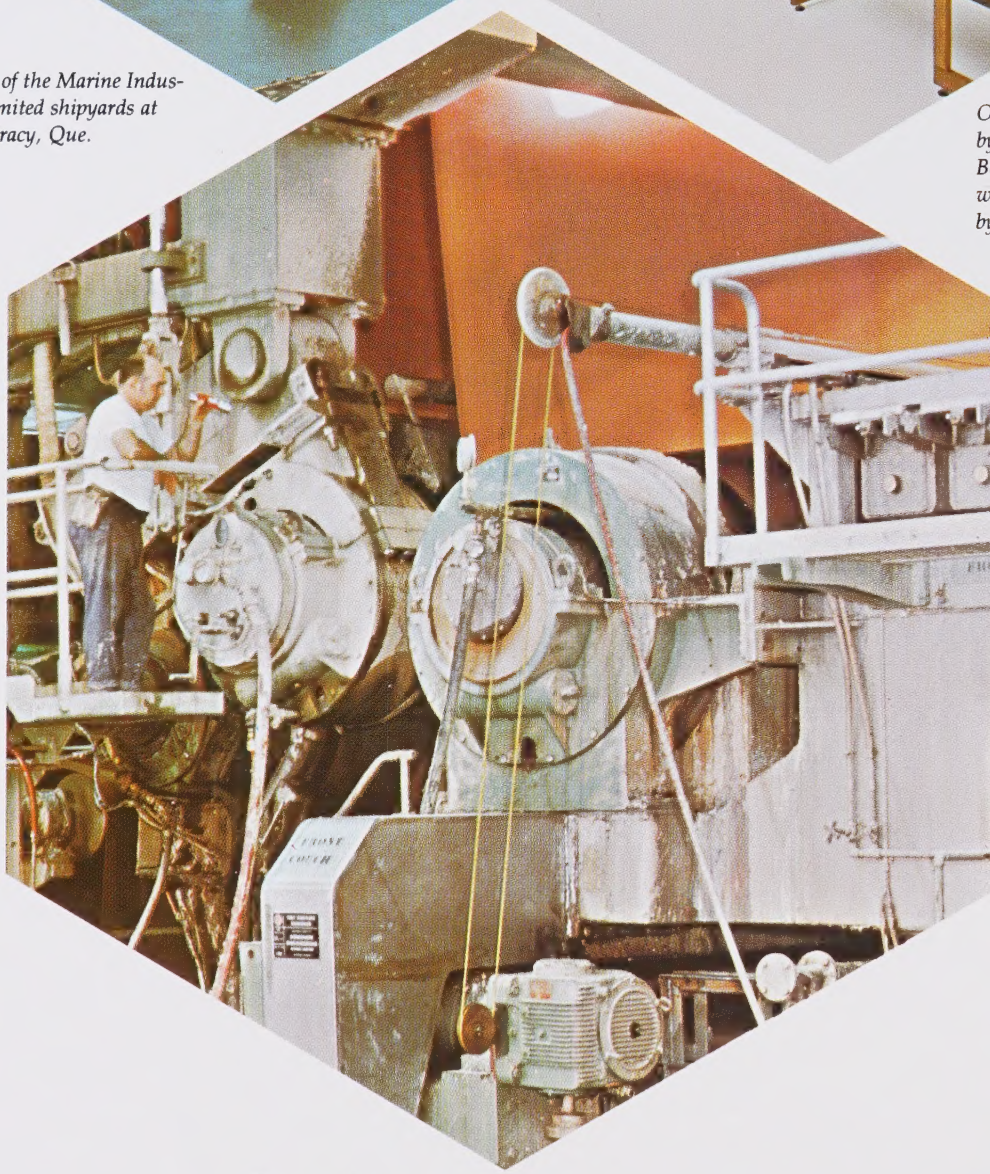
Société générale de financement du Québec

Annual Report 1975

A view of the Marine Industries Limited shipyards at Sorel-Tracy, Que.

Office furniture is produced by Opus, a subsidiary of Bonnex Inc., from pressed wood panels manufactured by Sogefor Limited.

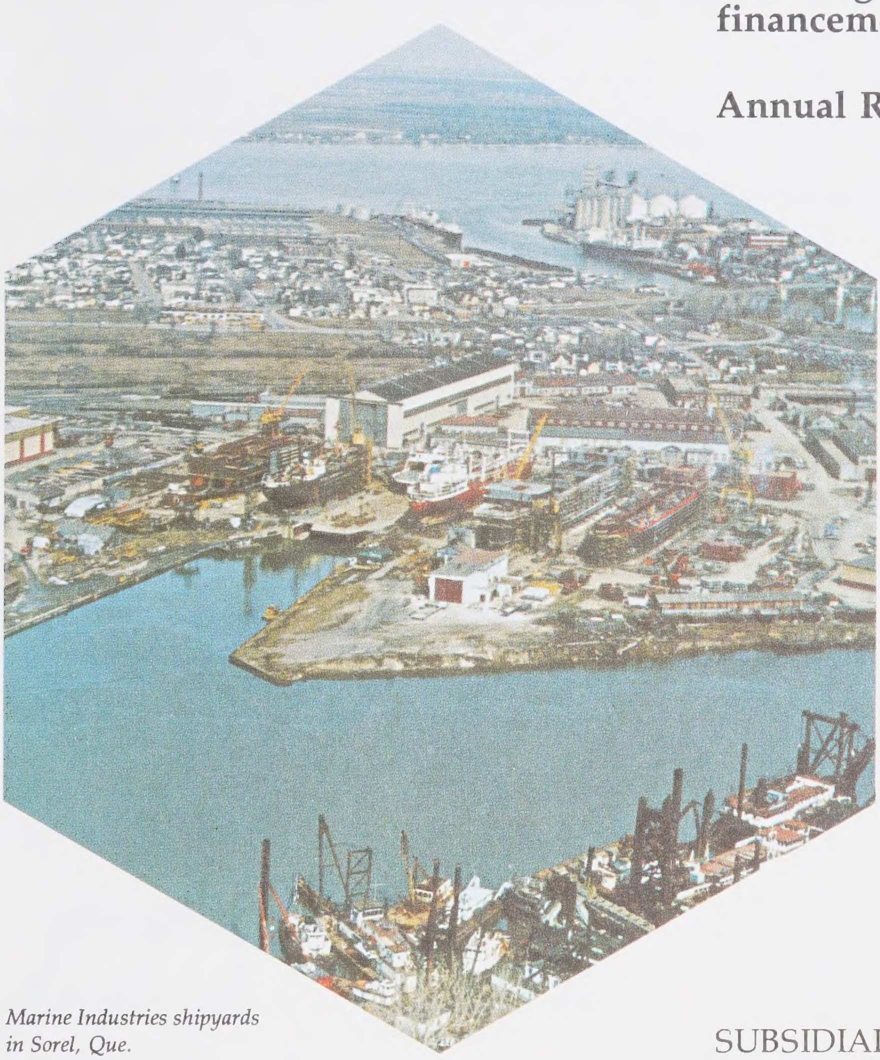


Paper-making equipment at The Donohue Company Limited plant.

Un exemplaire en français vous sera expédié sur demande adressée au secrétaire,
Société générale de financement du Québec
Suite 800
680 ouest, rue Sherbrooke
Montréal H3A 2M7

Société générale de financement du Québec

Annual Report 1975



Marine Industries shipyards in Sorel, Que.

SUBSIDIARIES AND AFFILIATED COMPANIES IN THE SGF GROUP

Marine Industries Limited
and its subsidiary

Forano Limited

Volcano Limited

The Donohue Company Limited
and its subsidiaries

Cegelec Enterprises Inc.
and their subsidiaries

Cegelec Industrie Inc.

Centre Éducatif et Culturel Inc.
and its subsidiary

Bonnex Inc.

La Salle Knitting Limited

Board of Directors

Raymond David
President and Managing Director of the Company

John H. Dinsmore
Deputy Minister
Ministère de l'Industrie et du Commerce du Québec

Yves Graton
President
U.A.P. Inc.

Guy Godbout
President
Les Industries Valcartier Inc.

Michel Latraverse
President
Corporation d'Expansion Financière

***Raymond Lavoie**
President and Chief Executive Officer
Crédit Foncier Franco-Canadien

Maurice A. Massé
Chairman of the Board of the Company

Philippe Pariseault
President and Managing Director
Québec-Lait Inc.

*Honorary director

Officers

Maurice A. Massé
Chairman of the Board

Raymond David
President and Managing Director

Jacques Villeneuve
Executive Vice-President

Michel Plessis-Bélair
Director of Finance and Treasurer

Michel Pelland
Director of Administration

Marcel Manseau
Technical Director

Louis-Gilles Gagnon
Secretary and Legal Counsel

April 21, 1976

Mr. Guy Saint-Pierre,
Ministre de l'Industrie et du Commerce,
Gouvernement du Québec

Dear Sir:

In accordance with provisions of the Charter of Société générale de financement du Québec, I have the honour, on behalf of the Board of Directors, to submit the annual report for the year ended on December 31, 1975.

As required by Article 18 of the Charter, the report summarizes the 1975 activities of SGF and includes the annual consolidated financial statements accompanied by the report of the auditors.

Yours very truly,

M. A. Massé

Chairman of the Board

SGF (consolidated) — Annual Report 1975

Highlights of consolidated statements ($,000)

	1975	*1974*
Sales	$382,543	*$313,824*
Profit before minority interests	21,049	*13,235*
Net profit	13,227	*6,875*
Working capital	59,445	*42,453*
Capital expenditure	10,823	*4,844*
Shareholders' equity	76,158	*48,537*

Annual Report

This thirteenth annual report of SGF is the third presented in consolidated form. Prior to commenting on the results of the financial year ended December 31, 1975, in which new records have been, attained, we would like to express our appreciation to the Chief Executive Officers of each of the companies of the group for the considerable and constant effort they have devoted to the affairs of their respective companies.

The human resources of a company is its most precious asset and unfortunately, there is yet no way of recording its real value in a company's balance sheet. It is these human resources, from top management to production employees, that made possible the significant financial success we achieved in 1975.

Operating results and financial position

During the year, net earnings totalled $13,227,000 against $6,875,000 in the preceding year, an improvement of 92%.

The nine companies whose statements are consolidated were responsible for a combined sales volume of $382,543,000 compared with $313,824,000 in 1974, an increase of 22%.

The net operating profit for 1975, before allocation of the share due to minority interests in certain companies of the group, amounted to $21,049,000 or 5.5% of the sales volume, compared with a profitability rate of 4.2% in 1974.

It should also be noted that SGF's share of the net earnings is equivalent to a return of 21.2% on the net equity of the shareholder. In 1974 the return amounted to 17.3%.

It is important to emphasize that, in the group as a whole, only three companies are exempted from in come tax as wholly-owned subsidiaries of SGF: Forano Limited, Volcano Limited, and La Salle Knitting Limited. Their tax exemptions for 1975 would be worth approximately $1,600,000.

The consolidated financial position is sound due to the excellent results obtained and the financial support received from our shareholder which, during the year, fulfilled its undertaking towards us under the terms of Bill 20 adopted in December 1974, by making two stock purchases totalling $14,500,000. The Act authorized the Minister of Finance to subscribe $25,000,000 to the share capital of SGF before December 31, 1975. At the end of the year, consoli-

dated working capital was $59,445,000, an increase of $16,992,000, or 40%, over the previous year. The ratio of long term indebtedness to shareholder's equity was 28% at year end in comparison with 41% at the end of the previous year.

We believe that it is of interest to bring to your attention that, out of a total of $21,049,000 in profits before accounting assignment of minority interests, dividends amounting to $4,950,000 were paid, of this sum $3,585,000 was distributed to associate shareholders.

Portfolio changes

Before commenting on the portfolio activity of 1975, we refer you to the table on pages 10 and 11 of the report which shows the investments of SGF in the various companies on a basis comparable with December 1974, as well, the operating results for the past year were as follows:

Marine Industries Limited —
MLW-Worthington Limited:

Last July, SGF simultaneously purchased 40% of the outstanding shares of MLW, and 18% of the outstanding shares of Marine to bring its ownership of Marine to 86%. The 325,000 shares of MLW were acquired for $21 each which was the price paid by Les Entreprises de J. Armand Bombardier Ltée at the time of its purchase offer for all of MLW in January 1975. The common shares of Marine were acquired for $3.38 each, or 2.15 times the profit per share earned by Marine in 1975. These transactions, conditional upon each other, were made in the initial phase of a possible integration of Marine with Bombardier Limitée and MLW-Worthington Limited. The latter two companies are now being merged through an exchange of shares. After this exchange, SGF will be the second largest shareholder of Bombardier-MLW with 8.35% of the share capital. Recently we made public our decision not to proceed with the regrouping of Marine within the Bombardier-MLW complex. The industrial rationalization and management integration is not feasible in the short term because of the importance of the orders held by Marine for the next four years as well as the high level of activity in all the Bombardier-MLW divisions. We believe that Marine and Bombardier-MLW will be able to unite their efforts in the establishment of a long term industrial marketing strategy aimed at an optimum utilization of their respective manufacturing facilities. We also hope to achieve a marketing association between Forano and the industrial vehicles manufacturing division of Bombardier.

Volcano Limited

We have decided to invest $1 million in this subsidiary in order to allow it to finance an important program of expansion and modernization of its shops at St-Hyacinthe. The development of new products and the acquisition of new manufacturing licences — essential to the survival of the firm due to a lesser demand for its traditional products — required new fixed assets in the amount of $850,000 for which the Department of Regional Economic Expansion of Canada granted a subsidy of nearly $200,000. These new fabricating installations have been in operation since the beginning of the current year.

Cegelec Industrie Inc.:

SGF and its equal share partner in this company agreed to a medium term loan of $500,000. This firm required additional working capital after the losses incurred in 1974 and 1973. The year under review produced better results and the level of activity in 1976 should prove satisfactory. New products of advanced technology to serve industrial markets are being developed and will probably require further investments in 1977.

Arthopex Ltd.
Bonnex Inc.
Artena Compagnie Limitée:

We have undertaken to subscribe $500,000 to the share capital of Artopex, a firm established in 1969 to handle the marketing and sales of the products manufactured by Bonnex, Artena and Les Meubles Opus Inc. The proceeds will be used to facilitate the financing of the total integration of the companies of this group. Artopex will henceforth hold the total share capital of Bonnex and Artena which will become its two manufacturing subsidiaries. Bonnex will continue to own 50% of the outstanding shares of Opus. Since 1968, SGF has owned half of the shares of Bonnex, a manufacturer of metal office furniture and equipment. The shareholders of Bonnex will exchange their shares for shares of Artopex. As for Artena, a manufacturer of a full line of office chairs and divider-screens, its shareholders have agreed to sell their shares to Artopex in consideration of cash and Artopex shares. This regrouping will be completed in April 1976 at which time SGF will be the major shareholder with a 45% holding. The 1975 sales volume of the group was $15 million, making it the largest firm in its field under Quebec ownership.

Sico Inc.:

At the beginning of 1976, we agreed to buy shares of this company, the most important Quebec-owned manufacturer of paints and varnishes for commercial, industrial and household use. This transaction, conditions of which were not completely filled at the time of writing of this report, is in line with the new objectives that we have set for ourselves. In effect, we will allow the management of the firm to share ownership with us. The proposed transaction is scheduled to take place over a period of five years, which we consider to be of more than sufficient time to enable the association of financial institutions with management.

Economic situation and anti-inflation measures

We are satisfied with the results obtained in 1975, a year in which inflation prevailed at a high level. Faced with this economic impact in the conduct of their affairs, the companies of the SGF group granted equitable wage increases, often in excess of those stipulated in labour agreements, to take into account the increasing cost of living.

The proclamation of Federal and Provincial laws to fight inflation constitutes a management constraint to which the companies of the group must submit inasmuch as they are governed by these laws.

The Companies of the Group

For more information about the activities of each of the companies whose statements are consolidated, we suggest you refer to the respective individual reports of these companies shown immediately following the financial statements. In these reports, each Chief Executive Officer makes personal comments and a financial summary accompanies his text.

Objectives and role of SGF

During 1975, we rebuilt the administrative structures of SGF. With a completely new team in charge, we have restated the precise objectives pursued by SGF and the role that it plays in the industrial and economic structure of Quebec. These objectives have received the approval of the Minister of Industry and Commerce and we are pleased to make them public in this report.

Acknowledgements

At the last annual meeting, Mr. René Paré, a director of SGF since its inception, had asked to leave his position of honorary director. We wish to acknowledge his very great contribution to our company during past years and to thank him for the outstanding services rendered.

We also wish to express our gratitude to the members of the Board of Directors of SGF for the generous support they provided management.

Finally, to all those who have contributed to the affairs of SGF and its companies, we offer our sincere thanks for the dedication and loyalty with which they have fulfilled their tasks.

R. A. Rassé

Chairman of the Board

Raymond David

President and Managing Director

April 21, 1976

SGF Orientation

First established in 1962, SGF became a wholly-owned Provincial corporation in 1973. Quebecers recognize it as their oldest government institution devoted to industrial development.

Many factors have enabled the SGF management to restate its role and plan of action. These include experience acquired through the years; a notable increase in available capital funds; management better prepared to face the complex and changing economic environment; and executive officers whose competence has contributed to improving the financial situation.

Without departing from its fundamental objectives as set forth in its original incorporation Act, SGF must intensify its role in the economy of the Province so as to create for Quebec strong industrial sectors through the joint efforts of Provincial funds and private enterprise.

The "raison d'être" of SGF is to contribute to the industrial development of Quebec in order to broaden the base of the economic structure of the Province.

SGF considers that it will fulfill its role most effectively by endeavouring:

1. To be fully aware of the industrial development strategy established by the Quebec Government and to lend it its support; to identify sectors where it appears essential that a Quebec presence be assured; and, to respond to initiatives taken by the Department of Industry and Commerce.

2. To enhance the value of funds invested in the various companies held in its portfolio by making sure, in co-operation with each company's management, that these companies reach a level of return equivalent to at least that of private industrial sectors.

3. To promote the growth of these companies to the point where they will become economically sound industrial entities sufficiently large to compete in domestic and international markets. This objective will be more easily realized, on the one hand, through the implementation of a planning strategy by each company, and, on the other hand, through the merger or regrouping of complementary companies.

4. To acquire, wholly or in part, fast growing companies with satisfactory earning records, allowing for a diversified and balanced portfolio, and in addition, for the promotion of management people capable of assuming greater responsibilities, of accepting new challenges and of assuring the continuity and growth of these companies.

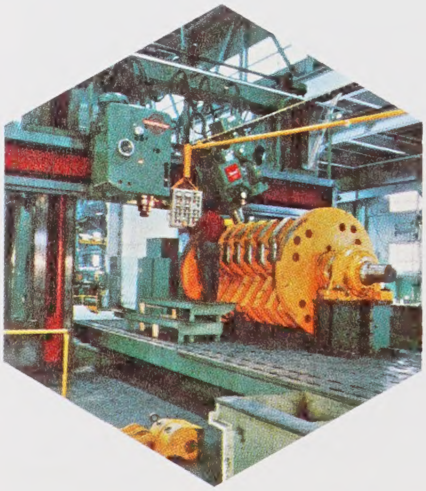
5. To take a participation in new large industrial projects principally involving the use and transformation of the natural and energy resources of Quebec.

6. To develop Quebec managers — who will be able to use their competence to promote the growth of companies in the SGF group and, ideally, of other Provincial organizations — through the institution of management development programs supported and led by the management of each company.

7. To foster the participation of Quebec or foreign private enterprise in the realization of these objectives, through the choice of partners who can bring a valuable contribution to the areas of management, technology, marketing and finance, and accordingly, satisfy the imperative needs of the economic and social development of Quebec.

Ultimately, as companies of a sector reach a certain size and become basically sound entities, SGF will reduce its participation or investment through the resale of shares either to its partner or partners or to the public and/or institutional financial markets. In this manner, SGF would be working in partnership with the private sector instead of competing with it.

SGF, with the funds provided through such transactions, will be in a position to re-invest in new areas of activity which have normal assurance of vigorous growth.



A giant rotor in the Forano Limited plant.

Three-fold role of SGF

Economic role

SGF will achieve its aims by attaining a satisfactory rate of profitability. On the other hand, if increased funds are generated by an adequate return on investments, the shareholder will feel more secure. The companies in the SGF group are therefore obliged, as is any other industrial undertaking, to show a satisfactory profit or to disappear sooner or later. Profit, which is a direct measurement of economic efficiency, becomes, once reinvested in the organization, a source of additional employment, growth and wealth. Profit, thus considered, plays an incontestable role since only strong and active organizations, having at their disposal various resources and reserves, can stimulate economic progress.

Social role

The success of any business organization is first and foremost the result of co-operation among people. The human resources of SGF are its most precious asset and it is the duty of the management of companies of the SGF group to stimulate these resources in order to attain the specific objectives that each company sets for itself.

The active participation and personal commitment of the members of a team to the aims of the organization cannot be taken for granted — they must be wanted and well understood.

The organizational structures, the style of management, the human climate, the training of personnel, the rotation of managers, an adequate system of remuneration and promotion and, of utmost importance, a good communications system adapted to the people concerned, as to objectives, policies and the results achieved by the organization — these are among the many factors that contribute substantially to the success of an organization and to the active participation of its people in the life of the organization.

The companies in the SGF group must respect fundamental human values, encourage the full potential of the individual and promote a spirit of co-operation.

Public role

SGF cannot achieve its economic and social objectives without taking into account the requirements of its environment. In fact, SGF applies its strategy of progress and development in a global society. SGF needs the support of authorities in the public sectors, financial and educational institutions, professional groups, civic organizations, unions, the media and the public. The quality of dialogue between SGF and the companies of the group, proper coherence within these forces and complementary aspects of their efforts will determine the success of SGF in rendering service to the Quebec community.

A typical retail outlet operated by Librairie Garneau Limitée.

Management Policy

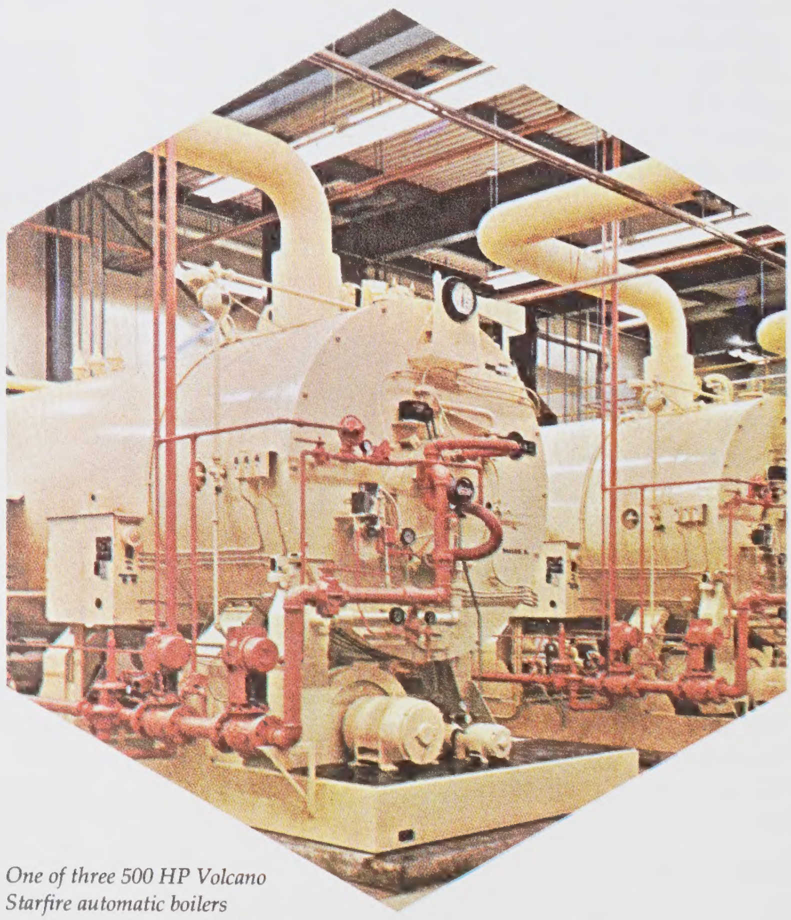
In defining the nature of the relationship that must exist between SGF and its companies, it is essential to give each company an individual personality and a just measure of autonomy, while maintaining efficient supervision of their development and the results of their operations.

The major management principle which must prevail in the SGF group can be summarized as follows: decentralization of the operational and decision-making responsibility. In practice, this means that the management of each company must determine its own future, analyse its problems, suggest its solutions and develop the means to solve them. In fact, SGF leaves to the management team of each company the responsibility for day-to-day business. It is within each industrial organization itself that the teams of managers, technicians and consultants must be formed. Effectively, the concept of a sound corporate organization requires that the primary authority rest on the chief executive officer of the company and his team.

However, SGF has a paramount role to play with regard to its companies, because, as a holding company, it must obtain the maximum financial return on the funds invested by its shareholders.

In order to do so, SGF follows closely the orientation and planning of the boards of directors and various committees of each company. SGF sees that companies in the group have the necessary means for financial control and that they strongly encourage the development of their managers. Consequently, SGF brings its help to all the companies of the group but particularly sees to it that the management teams are composed of competent men, capable of developing the productivity of its human, financial and commercial resources.

The relationship to be established between the general management of SGF and its companies is that of partners: it must therefore be close in all aspects.



One of three 500 HP Volcano Starfire automatic boilers installed in a large institution in British Columbia.

Human Resources of the Companies of the SGF Group

There could be much said about the human resources of the companies of the SGF group, since upon their motivation, their sense of belonging and their productivity depend the success or failure of SGF. We must, in this report, limit ourselves to a few observations.

At the end of 1975, the companies in the group employed close to 10,000 people, of whom about 1,100 were in the management ranks, ranging from first line supervisors to presidents.

The majority of the production personnel is unionized and is represented by ten different unions, mostly the CNTU, QFL, CSD and the United Metal Workers of America.

In management are more than 200 graduates from some thirty universities of which thirteen are in Canada, five in the United States, five in the United Kingdom, four in France, two in Switzerland and one in Egypt. This is a testimony to the diversity of knowledge and special training of our managers.

More than 100 promotions were made within the companies in 1975 and more than 50 professionals and management people were brought in from the outside.

The training and development of human resources within the companies of the group are being given increasing attention.

Seven of the twelve companies which have programs for the training of office and plant employees and for the development of managers invested more than $1 million during 1975, including contributions in the amount of $275,000 from the Federal and provincial Governments. Ninety percent of this budget was used for the training of plant employees in some twenty different skills. Marine Industries Limited is in the forefront in regard to the quantity and quality of the courses offered to its personnel and the money spent on the program.

The programs covered 1,700 employees or 17% of the total work force. In management ranks, about 30% have followed development courses in various fields including the metric system, labour relations, human relations, management techniques and computer technology.

One of the objectives of SGF is the development of Quebec managers. It is toward this end that meetings were held at the end of 1975 between SGF executives and seventy-five managers of the group companies. The dialogue has permitted these managers to become better acquainted, to exchange experiences and to identify more clearly their development needs.

A model plan on management development has been prepared by SGF and has been distributed to the companies of the group. The purpose is to increase this activity in future years, an activity which is regarded as of paramount importance by the officers of SGF and the companies of the group.

Summary of Investments and Operations

Investments in equity — at cost

December 31, 1974 ($'000)	%	December 31, 1975 ($'000)	%	
				Heavy Industry
17,800 (a)	70	20,603 (a)	86	Marine Industries Limited and its subsidiary
2,000 (b)	67	2,820 (b)	94	
8,504	100	8,504	100	Forano Limited
1,001	100	1,001	100	Volcano Limited
29,313		32,928		
				Lumber and Paper
7,917	43	7,917	43	The Donohue Company Limited and its subsidiaries
				Electric Equipment, Contracting and Engineering
1,500	50	1,500	50	Cegelec Entreprises Inc. and its subsidiaries
1,300	50	1,300	50	Cegelec Industrie Inc.
2,800		2,800		
				Publishing and Books
1,162	50	1,162	50	Centre Éducatif et Culturel Inc. and its subsidiary
				Sundry Manufacturing
600	50	600	50	Bonnex Inc.
861	100	861	100	La Salle Knitting Limited
				Les Industries Valcartier Inc.
42,653		46,268		**SUB-TOTAL**
1,011 (c)	100	285 (c)	50	Sogefor Ltd. (i)
		6,825	41	MLW-Worthington Limitée
98	30	98	30	Montel Inc.
(f)	100	(f)	100	Soma Inc.
200	100	200	100	Sofobec Ltd.
				Société générale de financement
43,962		53,676		**TOTAL**

Notes:

a — common shares;
b — preferred shares;
c — at book value;
d — for the 18 month period ending December 31, 1974;
e — year ended March 31, 1974;
f — negative book value;
g — after deducting dividends received from subsidiaries (1,365,000 in 1975);
h — before interest of minority shareholders of subsidiaries of the companies;
i — the financial statements of this affiliated company are no longer consolidated as a result of the sale of 50% of the investment and the signing of a management contract with the other shareholder,
j — SGF's participation in the final results of these companies.

Year ended December 31, 1975 Sales ($'000)	Net Income (loss) ($'000)	Participation ($'000)	*Year ended December 31, 1974* *Sales* *($'000)*	*Net Income (loss)* *($'000)*	*Participation* *($'000)*
137,779	8,362 *(h)	6,958	*107,483*	*1,883* *(h)	*1,151*
49,384	2,998 ***	2,998	*47,655*	*2,595* **	*2,328*
11,161	244 ***	244	*8,840*	*157* **	*184*
198,324	11,604	10,200	*163,978*	*4,635*	*3,663*
58,084	6,877 (h)	1,901	*51,634*	*6,819* (h)	*1,987*
91,167	1,688 (h)	833	*51,276*	*433* (h)	*229*
14,512	245	123	*16,135* (d)	*(782)*	*(391)*
105,679	1,933	956	*67,411*	*(349)*	*(162)*
8,235	463 (h)	242	*6,407*	*450* (h)	*214*
7,991	488	244	*7,100*	*602*	*301*
4,230	416 ***	416	*4,165*	*317* ***	*317*
			9,247 (e)	*412* *	*206*
382,543	21,781	13,959	*309,942*	*12,886*	*6,526*
	(185)(j)	(185)	*3,882*	*(119)*	*(119)*
	297 (j)	297			
	78 (j)	78		*38*	*38*
	1 ***	1		*(72)****	*(72)*
	11 ***	11		*13* ***	*13*
	(934)***	(934)(g)		*489* ***	*489*(g)
382,543	21,049	13,227	*313,824*	*13,235*	*6,875*

* no income taxes due to losses of preceding years carried forward;

** income taxes proportional to the number of days before the companies become exempt from taxation (Forano — September 12, 1974, and Volcano June 30, 1974);

*** tax exempt corporations.

Consolidated Statement of Earnings

year ended December 31

	1975 ($'000)	*1974 ($'000)*
Gross Income from operations	$382 543	*$313 824**
Earnings Before the Following	$ 36 312	*$ 28 989*
Provision for possible losses on contracts in progress	—	*452*
Depreciation	5 272	*5 616*
Amortization of deferred charges	143	*265*
Interest and expense on long-term debt	1 849	*2 223*
Interest and expense on other debt	2 664	*2 468*
	9 928	*11 024*
Add		
Revenue from investments	1 412	*2 039*
Equity in net income of partly owned companies, not consolidated	283	*38*
	1 695	*2 077*
Deduct income taxes		
Current	9 555	*5 535*
Deferred	1 162	*2 191*
	10 717	*7 726*
Earnings before extraordinary items and interest of outside shareholders	17 362	*12 316*
Extraordinary Items	3 687	*919*
Earnings before interest of outside shareholders	21 049	*13 235*
Deduct interest of outside shareholders in subsidiary and affiliated companies		
Preferred shareholders	359	*435*
Common shareholders	7 463	*5 925*
	7 822	*6 360*
Net Earnings for the year	$ 13 227	*$ 6 875*

**Restated figure*

Consolidated Statement of Retained Earnings

year ended December 31

	1975 ($'000)	*1974 ($'000)*
Retained Earnings at beginning — deficit in 1974	$ 2 086	*$(4 773)*
Net Earnings for the year	13 227	*6 875*
Adjustments to retained earnings of prior years		
— Adjustments to deferred and recoverable income taxes in subsidiary and affiliated companies	—	*275*
— Miscellaneous adjustments applicable to prior years	(189)	*(130)*
— Write-off of the share of the Société in retained earnings or accumulated deficits of subsidiary and affiliated companies whose shares have been sold during the year	(469)	*357*
— Adjustments to the amortization, accumulated during the control period, of the excess of cost of investment in subsidiary companies over book value at dates of acquisition, whose shares have been sold during the year	—	*(518)*
Retained Earnings at end	$ 14 655	*$ 2 086*

A section of the machinery on which La Salle Knitting Limited produces knitted sports clothing.

Consolidated statement of source and application of funds

year ended December 31

	1975 ($'000)	1974 ($'000)
Source of Funds		
Funds provided from operations (see statement)	$ 22 559	$ 17 468
Issue of capital stock	14 500	10 500
Government grants	3	143
Decrease in claims and holdbacks	—	2 133
Proceeds from an insurance claim	725	—
Working capital of a subsidiary at date of acquisition	—	278
Increase in long-term debt (net)	76	—
	37 863	30 522
Application of Funds		
Decrease in long-term debt (net)	—	5 390
Acquisition of fixed assets (net)	10 823	4 844
Acquisition of investments (net)	8 525	3 278
Increase in claims and holdbacks	291	—
Working capital of subsidiaries at date of sale	376	125
Acquisition of minority interests	324	—
Miscellaneous items	5	56
Restatement of working capital of certain subsidiaries	486	—
Working capital deficiency of a subsidiary at date of acquisition	41	—
Purchase of a loan receivable	—	59
Assessment of income tax applicable to prior years	—	212
	20 871	13 964
Increase in Working Capital	16 992	16 558
Working Capital, at beginning	42 453	25 895
Working Capital, at end	$ 59 445	$ 42 453

Details of funds Provided from Operations

year ended December 31

	1975 ($'000)	*1974 ($'000)*
Funds Provided from Operations		
Earnings for the year	$ 13 227	*$ 6 875*
Add		
Depreciation	5 272	*5 371*
Amortization and write-off of other assets	392	*285*
Deferred income taxes	487	*1 941*
Provision for loss on investment	100	—
Loss on sale of investment	15	—
Increase in interest of outside shareholders	4 108	*3 558*
	23 601	*18 030*
Deduct		
Equity of net income of partly owned companies, not consolidated	283	*38*
Earnings of a subsidiary sold during the year	—	*412*
Profit on sale of investments in subsidiaries	—	*112*
Profit on sale of fixed assets	95	—
Excess of insurance proceeds over net value of buildings destroyed by fire	664	—
	1 042	*562*
	$ 22 559	*$ 17 468*

An electrical control console produced by Cegelec Industrie Inc.

Consolidated Balance Sheet as at December 31

ASSETS	1975 ($'000)	*1974 ($'000)*
Current		
Cash and deposits	$ 11 250	*$ 18 788*
Accounts receivable	74 647	*51 307*
Contracts and work in progress, inventories (note 2)	71 026	*62 430*
Prepaid expenses and claims	1 047	*881*
Subscription receivable on capital stock	5 000	—
	162 970	*133 406*
Holdbacks and Claims receivable	1 339	*1 048*
Investments (note 3)	11 792	*2 369*
Fixed Assets, at cost	121 336	*115 601*
Accumulated depreciation	(59 439)	*(56 805)*
	61 897	*58 796*
Other Assets		
Excess of cost of investments in subsidiary and affiliated companies over book value at dates of acquisition	4 529	*4 764*
Deferred charges less amortization	289	*292*
Patents and other	126	*196*
	4 944	*5 252*
	$242 942	*$200 871*

Signed on Behalf of the Board

R. A. Rassé — *Director*

Raymond David — *Director*

LIABILITIES	1975 ($'000)	*1974 ($'000)*
Current		
Bank indebtedness (note 4)	$ 29 255	*$ 29 222*
Accounts payable	63 611	*49 928*
Deposits on contracts	2 573	*2 701*
Dividends payable	168	*136*
Current portion of long-term debt	2 180	*6 518*
Income taxes	4 854	*2 331*
Deferred income	173	*117*
Deferred income taxes	711	—
	103 525	*90 953*
Long-Term Debt (note 5)	21 319	*19 758*
Deferred Income Taxes	10 396	*10 189*
Provision for Contingencies	222	*223*
Interest of Outside Shareholders in subsidiary and affiliated companies	31 322	*31 211*
Shareholders' Equity		
Capital stock (note 6)	60 665	*46 165*
Losses on investments (note 7)	(1 973)	*(2 499)*
Retained earnings	14 655	*2 086*
Contributed surplus (note 8)	2 811	*2 785*
	76 158	*48 537*
	$242 942	*$200 871*

Commitments, contingencies and subsequent events (notes 9, 10 and 11)

Notes to Consolidated Financial Statements

as at December 31, 1975

1) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies and companies under effective control, with provision for interest of outside shareholders. The companies included in the consolidation with percentages of ownership, are as follows:

	% of ownership 1975	% of ownership 1974
Marine Industries Limited and its subsidiary	86	70
Forano Limited	100	100
Volcano Limited and its subsidiary	100	100
The Donohue Company Limited and subsidiaries	43	43
Cegelec Entreprises Inc. and subsidiaries	50	50
Cegelec Industrie Inc.	50	50
Centre Éducatif et Culturel Inc. and its subsidiary	50	50
Bonnex Inc.	50	50
La Salle Knitting Limited	100	100
Société de Montage Automobile — Soma Inc.	100	100
Sofobec Limited	100	100
*Sogefor Limited	—	100

The results of operations of the above listed companies are included in the consolidated financial statements from the respective dates of acquisition of the investments.

*As a result of the sale of 50% of this investment and the signing of a management contract with the other shareholder, the financial statements of this company are no longer consolidated and the investment is now accounted for at equity value (note 3).

2) Contracts and Work in Progress, Inventories

	1975 ($'000)	*1974 ($'000)*
At the lower of cost or net realizable value	$181 780	*$107 817*
Less progress billings	110 754	*43 780*
	71 026	*64 037*
Less		
Provision for possible losses on uncompleted contracts		*1 607*
	$ 71 026	*$ 62 430*

3) Investments

	1975 ($'000)	*1974 ($'000)*
At equity value		
MLW-Worthington Limited	$ 7 122	—
Sogefor Limited	2 385	—
Montel Inc.	144	*117*
Electrical Manufacturing Co. Ltd.	304	*253*
	9 955	*370*
At cost		
Deposit for the acquisition of shares	700	*700*
Other minority shareholdings, mortgages and advances	1 137	*1 299*
	$ 11 792	*$ 2 369*

Percentages of ownership are as follows:		
MLW-Worthington Limited	40.6%	—
Sogefor Limited	50.0%	—
Montel Inc.	30.0%	*30.0%*
Electrical Manufacturing Co. Ltd.	30.4%	*30.4%*

4) Bank Indebtedness

Secured by the assignment of accounts receivable and inventories, the carrying value of which is approximately $88 millions ($66 millions in 1974)	$ 28 255	*$ 29 222*
Other	1 000	—
	$ 29 255	*$ 29 222*

5) Long-Term Debt

	1975 ($'000)	*1974 ($'000)*
BONDS AND DEBENTURES		
Parent company		
Guaranteed debentures, 8% maturing July 2, 1975	$ —	*$ 4 992*
Subsidiaries		
Sinking fund bonds, guaranteed, 4%, 5%, 6% maturing from 1975 to 1977	477	*676*
Sinking fund debentures, guaranteed, 7%, 1989	6 795	*7 030*
Sinking fund bonds, guaranteed, 6¾%, 1988	3 077	*3 315*
Debentures, guaranteed, at 2% above prime rate, 1979	360	*480*
First mortgage bonds, with sinking fund requirements, 7%, 1981	499	*550*
Bonds, guaranteed, 8%, 1977	98	*148*
Debentures, 12%, 1976 to 1978	250	*250*
Sinking fund debentures, 6½%, 1980	927	*1 012*
Sinking fund debentures, 10¾%, 11⅞%, 1985	3 000	—
Sinking fund debentures, guaranteed, 7%, 1981	625	*675*
	16 108	*19 128*

	1975 ($'000)	1974 ($'000)
Less: debentures held in sinking funds	377	*309*
Total bonds and debentures	15 731	*18 819*
LOANS AND GUARANTEED NOTES PAYABLE	6 751	*6 240*
MORTGAGES	1 002	*945*
LIEN NOTES	15	*34*
GOVERNMENT GRANTS REPAYABLE	—	*238*
	23 499	*26 276*
Deduct current portion	2 180	*6 518*
	$ 21 319	*$19 758*

The payments required during the next five years for the retirement of the consolidated long-term debt are as follows:

	($'000)
1976	$ 2 180
1977	2 451
1978	1 811
1979	1 829
1980	2 398

6) Capital Stock

	1975 ($'000)	1974 ($'000)
Authorized (shares of a par value of $10 each)		
2 000 000 preferred shares, 7% cumulative, convertible, redeemable at their par value, of which 500 000 previously issued have been converted into an equal number of common shares in 1973		
2 090 000 deferred dividend shares, convertible, reserved for the Gouvernement de la Province de Québec, of which 1 090 000 previously issued have been converted into an equal number of common shares in 1973		
10 000 000 common shares		
Issued and paid		
5 566 502 (4 616 502 in 1974) common shares of which 950 000 were issued for cash during the year	$ 55 665	*$46 165*
Subscribed		
500 000 common shares	5 000	*—*
	$ 60 665	*$46 165*

7) Losses on Investments

This balance is made up of the excess of losses over gains resulting from transactions in investments and financing, since the beginning of the operations of the Société.		
Balance at beginning of year	$ 2 499	*$ 2 499*
Net gain on sale of shares in subsidiaries	(526)	*—*
Balance at end of year	$ 1 973	*$ 2 499*

8) Contributed Surplus	1975 ($'000)	1974 ($'000)
Surplus arising from the recording of the value of the financing in Sogefor Ltd., the original cost of which had been completely written off, following an amendment to the Letters Patent of the Société assented to December 24, 1971, which cancelled an equivalent amount of deferred dividend shares owned by the Gouvernement de la Province de Québec	$ 2 510	*$ 2 510*
Government grants obtained under industrial development programs	278	*275*
Gain arising from the redemption of preferred shares by a subsidiary	23	*—*
	$ 2 811	*$ 2 785*

9) Commitments

Commitments of the companies for capital expenditures amount to $5 612 000.

Main long-term leases to which the companies are bound extend to 1990 for a total rental of $5 348 000.

Combined actuarial deficits of the pension plans of the companies amount to $1 927 000 and will be amortized by annual instalments of $177 000 extending into 1990.

10) Contingent Liabilities

a) Endorsements and guarantees

1. In 1974, on behalf of its subsidiary Marine Industries Limited the Société has guaranteed the reimbursement to the partners of its subsidiary in a joint venture, "Le Consortium La Grande", of all losses that might be sustained by the joint venture resulting from the fault of Marine Industries Limited
2. Forano Limited has endorsed conditional sales contracts of $4 412 000
3. Endorsements and guarantees of certain other subsidiaries outstanding in favour of third parties amount to $1 393 000.

b) Assessments

Certain of the companies have been assessed and sued for the recovery of taxes on income and sale taxes amounting to $1 238 000. All these assessments and lawsuits are being contested:

Marine Industries Limited	$817 000
Société de Montage Automobile — Soma Inc.	$421 000

c) Damage suits

Damage suits amounting to $923 000 have been instituted against certain companies and are being contested:

Marine Industries Limited	$145 000
Cegelec Entreprises Inc.	531 000
Volcano Limited	247 000

d) Marine Industries Limited — Lawsuits relating to dredging contracts

— Marine Industries Limited together with other Canadian companies and certain of their officers, has been accused of conspiracy to defraud the Government of Canada of an amount of $1 662 000 in connection with certain dredging contracts.

The Company has pleaded not guilty; its legal counsels assert that they have the proper elements to present a valid defence.

Should the Company be sent to trial and found guilty, it could be sentenced to pay a fine in an amount which is impossible to determine as of this day.

— The Government of Canada claims jointly from the Company and other companies an undetermined amount for damages in connection with certain dredging contracts. Such claim was made as a cross-demand in a legal action taken by other Canadian companies for the reimbursement of holdbacks on contracts, none of which was payable to Marine Industries Limited. Legal counsels are of the opinion that this claim is ill-founded.

— Together with certain individuals and other companies, the Company has been sent to trial under a charge of conspiracy to allow an individual to evade income taxes on an amount of $255 000. Based on their knowledge of the evidence, legal counsels hope for an acquittal.

No provision relating to these lawsuits has been recorded in the accounts.

11) Subsequent Events

a) The Donohue Company Limited

In February 1976, the company has agreed to acquire from La Scierie Normandin Inc. all the fixed assets used in their logging and lumbering operations in the Lac Saint-Jean area, for a price of $5 500 000. An amount of $3 500 000 has been paid cash and the balance of $2 000 000 is payable in February 1977.

b) Centre Éducatif et Culturel Inc.

Its subsidiary Librairie Garneau Limitée has agreed to acquire the net assets of La Librairie Servidec Montréal, by an offer to purchase which was accepted in February 1976, for a price of approximately $250 000 of which 20% is payable cash. The balance will bear interest at 10¼% and is payable in four equal annual instalments.

c) Sico Inc.

In accordance with an agreement reached in principle early in 1976, and subject to certain conditions which have not yet been fulfilled, the Société has agreed to acquire 70% of the outstanding capital stock of Sico Inc., over a period of five years. The minimum cost of this acquisition will be $3 750 000 but could reach $4 715 000 under certain conditions.

Key employees of Sico Inc. may be able to buy back up to 50% of the acquired shares from the Société, at the same price and within a prescribed delay.

The proposed transaction will also require the Société to acquire debentures of Sico Inc. of $1 100 000, 10%, maturing ten years after their date of issue, but convertible after six years, at the holder's option, into 200 000 common shares.

d) Bonnex Inc. — Compagnie Artena Limitée

Negotiations are presently under way in view of regrouping Bonnex Inc. and Compagnie Artena Limitée which would result in their becoming wholly owned subsidiaries of Artopex Ltd.

The Société expects to exchange its holdings in common shares of Bonnex Inc. and invest $500 000 for the acquisition of approximately 45% of the Artopex Ltd. shares.

12) Extraordinary Items

This amount includes

a) A gain of $3 663 000 in income taxes recovered by the application of prior years' losses.
b) A net gain of $716 000 resulting from the sale, expropriation and write off of fixed assets.
c) An amount of $692 000 expended on a research project.

13) Anti-Inflation Measures

The Société and certain of its subsidiaries are subject to the anti-inflation measures enacted in the fall of 1975 by the Federal and Quebec governments and they must conform to the guidelines covering prices, profits, compensation and dividends.

All the prescribed regulations have not yet been published and therefore the Société is not in a position to evaluate their effect on its operations.

Auditors' Report
To the Shareholders of Société générale de financement du Québec

We have examined the consolidated balance sheet of Société générale de financement du Québec and subsidiary and affiliated companies as at December 31, 1975 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. We have obtained all the information and explanations we have required. Our examination of the financial statements of Société générale de financement du Québec and those subsidiary and affiliated companies of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary and affiliated companies.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson, Bélair & Associés

Chartered Accountants

Montreal, March 25, 1976

"La Rochelle", built by Marine Industries Limited

Marine Industries Limited and its subsidiary Foresteel Industries Limited

Intense activity in its three operating divisions marked the 1975 financial year for Marine Industries Limited and its subsidiary, Foresteel Industries Limited. Employment level averaged 3,000 and production facilities in the shops and the yard were utilized to capacity.

Sales for the year 1975 were $137,779,000, producing a net profit of $7,698,000 before minority interests, taxes and extraordinary items.

Additions to fixed assets amounted to $6,300,000 and were paid for out of working capital.

The shipyard delivered four freighters to Société Navale Chargeurs Delmas-Vieljeux, the fourth being delivered at the beginning of 1976.

The hydro-electric division was also busy. It was ahead of its production schedule on the Manic 3 program and produced material for the Gentilly nuclear station.

The railcar division delivered 1,722 cars in 1975, compared with 1,485 in 1974. Orders on hand at December 31, 1975 totalled $414 million, spread as follows:

a) three general cargo ships for Société Navale Chargeurs Delmas-Vieljeux; ten for M. A. Karageorgis, S.A., of Greece, and two for Compagnie Nationale Algérienne de Navigation. In addition to these fifteen freighters, there are two tankers on order for Gulf Oil Canada Limited and three for Empresa Maritimo Portuaria de Cuba;
b) eleven turbines and alternators for Outardes 2 and La Grande 2, two in step compensators for Manicouagan, and the assembly of D.E.W. turbines and C.G.E. alternators for La Grande 2.

With an order book of this magnitude, the yard's activity in 1976 will surpass that of the previous year and all newly installed facilities will be put to maximum use.

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	**Operating profit (loss)***
1975	$137,779	$ 7,698
1974	107,483	1,695
1973	77,027	(11,188)
1972	106,553	2,154
1971	30,366	(6,503)

**before extraordinary items, minority interests and income taxes*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$43,831	*$37,079*
Current liabilities	35,319	*30,698*
Working capital	8,512	*6,381*
Fixed assets — at cost less accumulated depreciation	18,315	*13,034*
Other assets	1,317	*1,069*
	$28,144	*$20,484*
Long-term debt	$ 255	*$ 291*
Shareholders' equity	27,889	*20,193*
	$28,144	*$20,484*

We want to thank the directors, the officers and the employees for the conscientious and competent work they performed during 1975 and we count on their full co-operation to achieve the 1976 objectives. To our clients we extend sincere thanks for their contribution to the success of the company.

Laurent Picard
President and Chief Executive Officer

Forano Limited

Results for 1975 show a slight improvement over those of the previous year. Sales totalled nearly $50 million.

Widespread and prolonged strikes in the pulp and paper industry were the main cause of the reduction in our operations during the last half of the year. However, we were able to maintain our operating profits at a level comparable with those of 1974 by reducing our supplementary expenses and by controlling our manufacturing costs.

As a consequence, 1976 started with a reduced order book. Our inventories being high, we will be in a better position to serve our customers when there is an upturn in business activity, hopefully during the second half of the year. We have taken advantage of the slow period to design a number of new machines, notably a continuous slasher of totally new concept soon to be introduced to the market.

The current year also will see the establishment of Forano in South America for the marketing of machinery in countries with abundant forest resources, notably Argentina, Chile and Venezuela.

During the past year, Forano developed a management structure better adapted to its needs.

Jacques A. Sincennes
President and General Manager

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	Operating profit*
1975	$ 49,384	$ 3,098
1974	47,655	3,385
1973	34,936	1,959
1972	26,996	2,031
1971	21,359	525

**before extraordinary items and income taxes*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$29,722	*$27,139*
Current liabilities	18,131	*21,016*
Working capital	11,591	*6,123*
Fixed assets — at cost less accumulated depreciation	3,147	*2,891*
Other assets	157	*235*
	$14,895	*$ 9,249*
Long-term debt	$ 3,787	*$ 985*
Shareholders' equity	11,108	*8,264*
	$14,895	*$ 9,249*

A mobile crane in the Forano Limited plant.

Volcano Limited

As indicated in the summary of operating results, sales in 1975 increased by 26% while operating profits before tax were 30% higher, notwithstanding an extraordinary expense of $255,000 on a guaranty payment.

Volcano has as its objective to become the most important Canadian manufacturer of prefabricated boilers, and, during the past year, we significantly increased our product line to satisfy all the needs of our customers. As a result, we have signed three distribution and manufacturing agreements and launched two new Volcano products. We will be able soon to offer all boiler capacities operating with all conventional fuels, including energetic residues.

At the distribution level we are well represented at present in the ten Canadian provinces and are now directing our efforts to the export market. Maintenance services, mostly concentrated in Quebec, will be extended gradually to the other Canadian provinces.

As indicated in last year's report, we have carried out a modernization and expansion program at our plant. These improvements will allow us to increase the efficiency of the plant and to meet increased demand, especially for heavy products.

Jean de Villers
President

A Volcano boiler used to heat the Olympic Stadium.

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	Operating profit*
1975	$11,161	$244
1974	8,840	172**
1973	7,637	277
1972	6,500	215
1971	5,924	144

**before income taxes*
***restated figures*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$ 6,069	*$ 5,600*
Current liabilities	4,625	*4,450***
Working capital	1,444	*1,150*
Fixed assets — at cost less accumulated depreciation	1,529	*1,121*
Other assets	87	*45*
	$ 3,060	*$ 2,316*
Long-term debt	$ 820	*$ 905*
Shareholder's loan	885	*300*
Shareholders' equity	1,355	*1,111***
	$ 3,060	*$ 2,316*

***restated figures*

The Donohue Company Limited
and its subsidiaries:

Donohue Brothers Sales Corporation
Charlevoix Paper Company Limited
Malbaie Paper Company Ltd.
Produits Forestiers M.P. Inc.
Donohue St-Félicien Inc.

New records were achieved in 1975. Total sales reached $57,997,000 and net operating profits before minority interests were $7,569,000. An increase of $2,257,000 in working capital brought the total to $21,860,000. Common shareholders received a total of $1,440,000 through the payment of four quarterly dividents of 20 cents per share. Additions were made to fixed assets at a cost of $2,433,000, of which $900,000 was spent for installations required to prevent pollution.

Production and shipments of newsprint from the Clermont paper mill dropped about 4% compared with last year. The economic situation in general, and expense reducing measures adopted by the publishing industry, led to an 11% drop in the consumption of newsprint in the United States. An increase in the sales price at the start of the year and a favorable exchange rate between U.S. and Canadian dollars contributed considerably to the improvement of the profit picture.

Sales and profits of the lumber division were sharply reduced, with high interest rates and the economic slow-down having a negative effect on residential construction.

In July 1975, a subsidiary, Donohue St-Félicien Inc., of which 60% of the share capital is held by our company and 40% by British Columbia Forest Products Limited, was formed for the purpose of building a forest product complex at Saint Félicien. Expenses incurred for the period from July to December 31, 1975, totalled approximately $1,500,000. A final decision concerning this project most probably will be taken at the beginning of the second quarter of 1976.

Newsprint shipments in 1976 should be maintained at the previous year's level. On the other hand, a reduction of operating profits is forecast as increases in manufacturing costs will exceed the possible increases in the sales price. As to the marketing of lumber, modest improvement is expected in 1976.

E. P. Walsh
President and General Manager

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	Net operating profit*
1975	$57,997***	$7,569
1974	51,634	6,932
1973	38,158**	4,130
1972	38,688**	2,232
1971	34,974**	1,090

**Before minority interest and extraordinary items*
***Includes the revenue resulting from the rental of a paper machine converted for comparison purpose into an estimated sales amount.*
****Excluding a gain on redemption of long-term debt.*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	1974
Current assets	$30,723	$26,162
Current liabilities	8,863	6,559
Working capital	21,860	19,603
Fixed assets — at cost less accumulated depreciation	29,792	29,686
Other assets	2,075	2,250
	$53,727	$51,539
Deferred income taxes	$10,297	$ 9,822
Minority interests	2,116	2,097
Long-term debt	11,207	12,369
	23,620	24,288
Shareholders' equity	30,107	27,251
	$53,727	$51,539

Cegelec Entreprises Inc.
and its subsidiary BG Checo Engineering Limited

Net earnings of Cegelec Enterprises Inc. reached $1,665,000 in 1975 against $458,000 in 1974, an increase of 265%; this result is by far the best since the creation of Cegelec Entreprises Inc.

In 1975 BG Checo Engineering Limited, the only subsidiary of Cegelec Entreprises Inc., completed the first full year of operation since the merger on May 31, 1974, of Bédard Girard Limitée and Ingénierie Checo Limitée.

Considerable progress was achieved. Revenue jumped to $91,167,000 from $51,276,000, an increase of 78% over 1974, and net earnings before taxes reached $1,648,000 against $949,000, an increase of 74%.

The attainment of this large increase in business required considerable effort on the part of the personnel of BG Checo and its subsidiaries and a number of additions to the company's management staff.

To successfully implement this important program, the company had to obtain the necessary support of its bankers and insurers.

Orders on hand total $58,000,000 and indications are that the company will execute $100,000,000 worth of work in 1976. Following the increase of 40% in 1974, and the subsequent increase of 78% in 1975, it is essential that the company reduce its rate of growth in 1976 in order to consolidate its position.

The substantial growth of the last two years will necessitate an important financial reorganization. Supplementary investment capital will be required from the shareholders to allow the company to face the future with justifiable confidence.

Roland Olivier
President
Cegelec Enterprises Inc.

Henri F. Béique
President and General Manager
BG Checo Engineering Limited

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	Net operating profit (loss)
1975	91,167	1,665
1974	51,276*	458
1973	46,440	(144)
1972	31,879	39
1971	41,022	130

**restated figure*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974**
Current assets	$27,657	*$17,489*
Current liabilities	22,241	*13,602*
Working capital	5,416	*3,887*
Fixed assets — at cost less accumulated depreciation	1,760	*1,589*
Other assets	191	*251*
	$ 7,367	*$ 5,727*
Minority interests	$ 58	*$ (29)*
Long-term debt	2,257	*2,369*
	3,025	*2,340*
Shareholders' equity	5,052	*3,387*
	$ 7,367	*$ 5,727*

**Restated figures*

Cegelec Industrie Inc.

Reflecting clear improvement over previous years, results of the year ended December 31, 1975 conformed to forecasts.

Industrial activities on the whole were satisfactory. We manufactured and delivered 405,000 insulators and maintained the normal work load of our shops for the production of circuit breakers and disconnecting switches. However, the results of electrical equipment manufacturing activities were still affected by the fixed price contracts signed in 1973.

For 1976, our order book is well filled with circuit breakers and disconnecting switches and an order for 250,000 insulators has just been received which should allow us to maintain satisfactory results.

Considerable effort is being put forth at the commercial and industrial levels to allow for the development of a line of new products adapted to the Canadian market.

Roland Olivier
President and General Manager

SUMMARY OF OPERATING RESULTS ($'000)

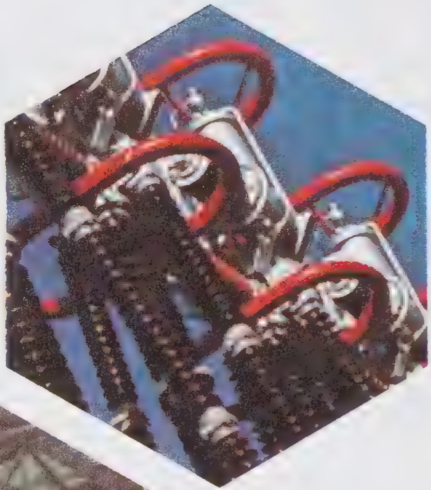
	Sales	**Operating profit (loss)***
December 31, 1975	$14,512	$ 245
December 31, 1974**	4,343	(534)
June 30, 1974	11,793	(156)
June 30, 1973	8,726	(513)
June 30, 1972	8,903	184
June 30, 1971	10,560	171

** Before extraordinary items and income taxes.*
***For the six months ending December 31, 1974.*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$10,022	*$ 7,146*
Current liabilities	8,319	*6,854*
Working capital	1,703	*292*
Fixed assets — at cost less accumulated depreciation	1,455	*1,690*
Other assets	110	*175*
	$ 3,268	*$ 2,157*
Long-term debt	$ 352	*$ 486*
Shareholders' loan	1,000	—
Shareholders' equity	1,916	*1,671*
	$ 3,268	*$ 2,157*

Specialists at work in the plant of BG Checo Engineering, a subsidiary of Cegelec Entreprises Inc.



Transmission terminal for an electrical sub-station. This equipment was produced by BG Checo.

High voltage research equipment, manufactured by BG Checo Engineering.

Paper-making equipment in The Donohue Company plant.

Centre Éducatif et Culturel Inc.
and its subsidiary Librairie Garneau Limitée

The year 1975 was the most significant in the history of the Centre Éducatif et Culturel with sales and profits setting new records, as indicated in the summary of operating results.

These achievements are the result of intensive efforts devoted to the development of markets outside the province and to our promotional and advertising activities.

Outlook for the year 1976 is most encouraging and we propose to maintain the vigor of the initiatives undertaken last year with the objective of diversifying our publishing base and extending our markets outside the country.

The contemplated growth of Librairie Garneau, based on new markets, prompted its decision to move its head office and warehouse to more functional premises at Charlesbourg in July 1975. This decision should result in improved inventories as well as better management of distribution and retail operations.

The reorganization of Librairie Garneau during the year should affect positively the results of operations and allow the company to face the future with more confidence.

Charles Letarte
President and General Manager
Centre Éducatif et Culturel Inc.

Georges Laberge
President and General Manager
La Librairie Garneau Limitée

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	**Net operating profit**
1975	$ 8,235	$ 483
1974*	6,407	428
1973	6,012	151
1972	5,236	180
1971	4,160	256

For the period ended December 31, 1974 representing 12 months for C.E.C. and 10 months for Garneau. Previous fiscal years ended December 31 for C.E.C. and February 28 for Garneau

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$ 3,931	*$ 2,816*
Current liabilities	2,487	*1,567*
Working capital	1,444	*1,249*
Fixed assets — at cost less accumulated depreciation	676	*771*
Other assets	223	*202*
	$ 2,343	*$ 2,222*
Deferred income taxes	$ 20	*$ 12*
Minority interest	—	*282*
Long-term debt	100	*—*
	120	*294*
Shareholders' equity	2,223	*1,928*
	$ 2,343	*$ 2,222*

A collection of educational aids produced by Centre Educatif et Culturel Inc.

Bonnex Inc.

Results of the 1975 financial year were satisfactory. Sales climbed to nearly $8,000,000 and profits before taxes amounted to $843,000 compared with $7,100,000 and $1,003,000 respectively in the previous year.

Results in 1975 would have been higher than forecast a year ago had not operations during the first half of the year been affected by difficult labor negotiations. These negotiations started in February and ended only in mid-July with the signing of a new contract. However, the second half of the year was most satisfactory and profitable, reflecting an increase in the volume of orders and a return of the productivity rate to a normal level.

A greater effort than that of previous years will be required from the whole organization in 1976 if the company is to surpass its average rate of growth of the past few years.

Volume of business in the office furniture industry will be affected by a number of factors, including a reduction of federal and provincial government spending. Also a decline in the rate of office building construction will curtail demand.

We remain confident that the economic upturn will be more pronounced during the second half of 1976.

Guy Bonneau
President and General Manager

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	Net operating profit (loss)
1975	$ 7,991	$ 488
1974	7,100	602
1973	5,502	328
1972	5,054	385
1971	3,920	(439)

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$ 4,232	*$ 3,243*
Current liabilities	2,928	*2,006*
Working capital	1,304	*1,237*
Fixed assets — at cost less accumulated depreciation	542	*352**
Other assets	159	*199**
	$ 2,005	*$ 1,788*
Deferred income taxes	$ 78	*$ 74*
Long-term debt	431	*605*
	509	*679*
Shareholders' equity	1,496	*1,109*
	$ 2,005	*$ 1,788*

**Restated figures*

Module work station produced by Bonnex Inc.

La Salle Knitting Limited

Results of the year ended December 31, 1975 surpassed our expectations and set new records.

We improved our profit before taxes by 31% over 1974. This increase in profit results from the sale of more products having better profitability, increased productivity in the mill and a reduction of expenses throughout the various departments.

The year 1976 began with a sizeable order book. If this trend is maintained throughout the year, our results will continue to be gratifying. It is with regret that we must note again that the import of goods from Asia and the Eastern bloc countries continues to impede the growth and progress of the textile industry in Canada.

Jean-Marie Raymond
President and General Manager

SUMMARY OF OPERATING RESULTS ($'000)

	Sales	**Operating profit (loss)***
1975	$ 4,230	$ 416
1974	4,165	317
1973	3,156	(145)
1972	3,892	(332)
1971	4,162	20

**Before extraordinary items and income taxes*

CONDENSED BALANCE SHEET ($'000)
December 31

	1975	*1974*
Current assets	$ 2,269	*$ 1,991*
Current liabilities	1,059	*1,149*
Working capital	1,210	*842*
Fixed assets — at cost less accumulated depreciation	827	*877*
Other assets	29	*34*
	$ 2,066	*$ 1,753*
Long-term debt	$ 709	*$ 807*
Shareholders' equity	1,357	*946*
	$ 2,066	*$ 1,753*

Children's clothing manufactured by La Salle Knitting Limited

Companies in the SGF Group

Marine Industries Limited **and its subsidiary** **Foresteel Industries Limited**	Head office: Suite 800, 680 Sherbrooke St. West, Montreal, Que. Shipyard and works: Tracy (Sorel) Que. Plant: 10,705 Henri-Bourassa Boulevard East, Montreal, Que.
Forano Limited	Head office and plant: 1600 St. Paul St., Plessisville, Que. Sales offices: Montreal - Toronto - Vancouver - Prince George - Halifax - North Bay - Thunder Bay - Moncton - Woodstock
Volcano Limited	Head office: 8635 St. Lawrence Boulevard, Montreal, Que. Plant: St. Hyacinthe, Que. Branches: Halifax - Fredericton - Quebec - Trois-Rivières - Ottawa - Toronto - Vancouver
The Donohue Company Limited **and its subsidiaries**	Head office: Suite 208, 500 Grande-Allée East, Quebec, Que.
Charlevoix Paper Company Limited	Mills: Clermont, Charlevoix County, Que
Malbaie Paper Company Ltd **Produits Forestiers MP Inc.**	Head office and mill: St. Thomas Didyme, Roberval County, Que.
Cegelec Entreprises Inc. **and its subsidiary** **Ingenierie BG Checo Limitee** **and its subsidiaries**	Head office: Suite 1200, 110 Cremazie Boulevard West, Montreal, Que. Plants: Montreal Branches: St. John's - Halifax - Montreal - Ottawa - Toronto - Sudbury - Vancouver
Cegelec Industrie Inc.	Head office: 1400 Industrial Boulevard, Laprairie, Que. Plants: Laprairie - Ville d'Anjou, Que.
Centre Educatif et Culturel Inc.	Head office: 8101 Metropolitan Boulevard East, Ville d'Anjou, Que.
and its subsidiary **Librairie Garneau Limitee**	Head office: 47 Buade St., Quebec, Que. Branches: Sainte-Foy - Quebec - Rimouski - Alma - Montreal - Chicoutimi - Toronto - Levis - Charlesbourg
Bonnex Inc.	Head office and plant: 2121 Berlier St., Laval, Que. Sales office: Place Bonaventure, Montreal
La Salle Knitting Limited	Head office: Suite 440, 110 Cremazie Boulevard West, Montreal, Que. Plant: Plessisville, Que. Sales agencies: in the main cities across Canada.